

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

200 W. Washington, Suite 301
Indianapolis, IN 46204
(317) 233-0696
<http://www.in.gov/legislative>

FISCAL IMPACT STATEMENT

LS 6117

BILL NUMBER: SB 42

NOTE PREPARED: Jan 26, 2008

BILL AMENDED: Jan 24, 2008

SUBJECT: Select Joint Commission on Medicaid Oversight and Managed Care.

FIRST AUTHOR: Sen. Miller

FIRST SPONSOR:

BILL STATUS: 2nd Reading - 1st House

FUNDS AFFECTED: X **GENERAL**
DEDICATED
FEDERAL

IMPACT: State

Summary of Legislation: (Amended) This bill adds the determination of whether a managed care organization that has contracted with the state to provide Medicaid services has performed the terms of the contract to the duties of the Select Joint Commission on Medicaid Oversight.

The bill also repeals a provision that provides for the expiration of the Commission on December 31, 2008.

The bill requires certain managed care organizations (MCOs) participating in the Medicaid program to: (1) be accredited by the National Committee for Quality Assurance (NCQA) by January 1, 2011; and (2) accept electronic claims for payment.

(The introduced version of this bill was prepared by the Select Joint Commission on Medicaid Oversight.)

Effective Date: July 1, 2008.

Explanation of State Expenditures: *Select Joint Commission on Medicaid Oversight:* This bill would continue the legislative authorization for the Select Joint Commission on Medicaid Oversight that otherwise would expire on December 31, 2008. The Commission investigates and oversees matters related to the Medicaid and Children's Health Insurance Program (CHIP). The addition of oversight for Medicaid contracts with managed care organizations to the duties of the Commission is a reflection of current contractual obligations within the Medicaid program.

During the 2007 interim, the 12-member Commission held five meetings and spent approximately \$8,403. Legislative Council resolutions in the past have established budgets for interim study committees in the

amount of \$9,500 per interim for committees with fewer than 16 members, such as the Select Joint Commission on Medicaid Oversight.

(Revised) *Managed Care Provisions:* This bill would require that an MCO that has contracted with the Office of Medicaid Policy and Planning (OMPP) and a behavioral health MCO that has subcontracted with an MCO under contract with OMPP must be accredited by the NCQA not later than January 1, 2011. The bill also requires these entities to accept, receive, and process claims that are filed electronically by Medicaid providers. Both requirements are administrative requirements for Medicaid contractors or their subcontractors.

Any increase or decrease in administrative costs to MCOs occur within the capitated managed care contracts. The increased cost does not represent a direct savings or cost to the state since the state pays a capitated amount for each MCO member month regardless of the cost incurred by the MCO for administrative expense or the member's care. Increased costs to the state are reflected only to the extent that the increased risk-based managed care costs would be passed through to the state in the negotiated rates. Rate adjustments generally occur in January.

Medicaid is jointly funded by the state and federal governments. The state share of program expenditures is approximately 38%. Medicaid medical services are matched by the federal match rate (FMAP) in Indiana at approximately 62%. Administrative expenditures are generally matched at 50%.

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Legislative Council; OMPP, Family and Social Services Administration.

Local Agencies Affected:

Information Sources: Legislative Council Resolution 07-02 - "Policies Governing Study Committees".

Fiscal Analyst: Kathy Norris, 317-234-1360.